

This record is a partial extract of the original cable. The full text of the original cable is not available.

UNCLAS SECTION 01 OF 02 DHAKA 005329

SIPDIS

E.O. 12958: DECL: N/A

TAGS: [ECON](#) [ETRD](#) [BINV](#) [BG](#)

SUBJECT: BANGLADESH'S TRADE PERFORMANCE IN FY 2005

[¶1.](#) Summary: Bangladesh's imports during the FY 2005 (July 2004-June 2005) increased by 24% to \$13.2 billion, compared to FY 2004 (\$10.65 billion). Exports, on the other hand, rose to \$8.7 billion, an increase of 15% over FY 2004 (\$7.57 billion). The overall trade deficit widened from \$3 billion to \$4.6 billion, a 46% increase. Strong growth in imports of capital machinery and rising oil prices, coupled with smaller dollar value increases in foodstuffs, explain the significant rise in imports. End Summary.

FY 2005 Imports

[¶2.](#) Bangladesh's imports during FY 2005 increased 24% to \$13.2 billion. Significant changes compared to the previous fiscal year (FY 2004) are shown below:

- a) Imports of capital machinery increased by 53% (from \$728 million to \$1.12 billion) due to growth of different manufacturing sectors as well as due to import of telecommunication equipment. Industrial sector growth is estimated at 7%-8%, compared with overall economic growth around 5.6%.
- b) Imports of crude and refined petroleum and lubricant products increased by 57% (from \$1.02 billion to \$1.6 billion), due the increase of price of these products in the international market. The volume of these imports increased a modest five percent.
- c) Imports of rice increased 82% (from \$144 million to \$262 million) to meet the deficit of rice production in FY 2005, following severe flooding in summer 2004.
- d) Imports of sugar increased by 100 percent (from \$110 million to \$220 million) to meet the deficit of sugar production in FY 2005.

FY 2005 Exports

[¶3.](#) Bangladesh exports during FY 2005 increased by 15% to \$8.7 billion. Significant changes compared to the previous fiscal year (FY 2004) are shown below:

- a) Exports of knitwear apparel products were increased by 31% (from \$2.15 billion to \$2.82 billion) due to the demand of such products in the world market (having 80 raw materials from the local market), the second largest export item. These increases reflect significant increases in volumes that offset lower prices.
- b) Exports of jute goods increased by 24% (from \$246 to \$307 million), due to increased demand in the world market.
- c) Exports of frozen food increased by 7% (from \$390 million to \$420 million), reflecting continuing growth in this industry in Bangladesh.
- d) Exports of chemical products increased by 62% (from \$121 million to \$197 million), principally due to increased fertilizer exports from Bangladesh.
- e) Exports of woven apparel products increased by 1.7% (from \$3.53 billion to \$3.59 billion). This sector saw a surge of quota driven orders at the end of calendar year 2004, which offset falling volumes and lower prices in the first half of calendar year 2005. Preliminary estimates from industry are that woven exports have fallen by six percent by value in the first quarter of FY 2006, largely due to pricing pressures. Export volumes are stable, mitigating any short-term impact on local labor markets. Over time, however, pricing pressures may force some consolidation and factory closures in this sector.

[¶4.](#) Trade with the U.S.

U.S. exports to Bangladesh increased 34% during the same period (from \$248 million to \$333 million), led by increased exports of raw cotton, generators, and telecommunication equipment. U.S. imports from Bangladesh increased 23% (from \$2.04 billion to \$2.51 billion) due to increased imports of garments, frozen food and sports equipment. Despite U.S. export gains, the overall U.S. trade deficit with Bangladesh increased 21% (from \$1.8 billion to \$2.18 billion).

CHAMMAS